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PARAMETERS OF THE PERSONAL INCOME TAX SYSTEM FOR **2016**

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PARAMETERS OF THE PERSONAL INCOME TAX SYSTEM FOR 2016

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1. INDEXING OF THE PERSONAL INCOME TAX SYSTEM

The tax legislation stipulates automatic indexing of the main parameters of the personal income tax system. Indexing applies to the taxable income bracket thresholds of the tax table and to the basic amount. It also applies to most parameters used to determine tax credits.

Indexing of the personal income tax system helps keep the tax system up to date to reflect the annual rise in the price of goods and services. In practical terms, indexing the tax system increases the amount of many deductions and tax credits by a rate determined on the basis of the rise in consumer prices in Québec.

❑ Indexing rate for taxation year 2016

The indexing rate for 2016 corresponds to the percentage change in the consumer price index for Québec (CPI Québec), excluding alcohol and tobacco, between the twelve-month period ending September 30, 2015 and the twelve-month period ending September 30, 2014.

According to this formula, the personal income tax system will be indexed by 1.09% for taxation year 2016.

Indexing Formula
The indexing formula stipulated in the Taxation Act is applied by multiplying the parameter to be indexed by the change from A compared to B. The result obtained is rounded according to the applicable rule. – "A" represents the average of the CPI Québec, excluding alcohol and tobacco, for the twelve months ending September 30 of the preceding year. – "B" represents the average of the CPI Québec, excluding alcohol and tobacco, for the twelve months ending September 30 of the year immediately prior to the preceding year.

2. IMPACT OF INDEXING FOR THE GOVERNMENT

In 2016, the Québec government will index the tax system at a cost of $295 million. Over the period from 2008 to 2016, the cumulative impact will equal more than $3.0 billion.

TABLE 1

Impact of indexing the personal income tax system – 2008 to 2016

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Indexing rate in percent	1.21	2.36	0.48	1.27	2.66	2.48	0.97	1.06	1.09
Impact in millions of dollars	315	437	97	239	514	574	253	268	295
Cumulative impact in millions of dollars	315	752	849	1 088	1 602	2 176	2 429	2 697	2 992

3. INCREASE IN THE WORK PREMIUM AND CHILD ASSISTANCE

The indexing of basic benefits of last-resort financial assistance programs requires that a different method be applied to increase the reduction thresholds of the work premium and child assistance in order to keep the tax system and income security programs in harmony.

❑ Work premium

The general work premium is integrated with the last-resort assistance system. It reaches its maximum at the income threshold at which a household fit for work is no longer eligible for last-resort assistance. Above that income level, the general work premium is reduced.

Moreover, the first dollars of earned income, up to $2 400 for a household consisting of one adult and $3 600 for a household consisting of two adults, are exempt from the calculation of the general work premium.

Like the general work premium, the adapted work premium for individuals with severely limited capacity for employment is integrated with the last-resort assistance system. However, the parameters for calculating the adapted work premium are different from those used to determine the general work premium.

❑ Child assistance

To integrate child assistance with the work premium, the income threshold at which the work premium becomes zero corresponds to the threshold at which child assistance begins to reduce with income.

The maximum amounts of child assistance are indexed at the indexing rate of the tax system.

4. COMPARISON OF INDEXING RATES OF THE QUÉBEC, FEDERAL AND PROVINCIAL TAX SYSTEMS

In 2016, the indexing rate of the Québec tax system (1.09%) will be lower than the indexing rates applied by the federal government and four of the six other provinces that index their tax system.

TABLE 2

Indexing rates of the federal and provincial personal tax systems
(percent)

	2008	2009	2010	2011	2012	2013	2014	2015	2016[1]
Federal[2]	1.9	2.5	0.6	1.4	2.8	2.0	0.9	1.7	1.3
Provinces									
– Newfoundland[3]	1.1	2.8	0.7	2.0	3.1	2.6	1.5	2.2	0.4
– Prince Edward Island[4]	—	—	—	—	—	—	—	—	—
– Nova Scotia[5]	—	—	—	—	—	—	—	—	—
– New Brunswick[2],[6]	1.9	2.5	2.0	2.0	2.8	2.0	0.9	1.7	1.3
– **Québec[7]**	**1.21**	**2.36**	**0.48**	**1.27**	**2.66**	**2.48**	**0.97**	**1.06**	**1.09**
– Ontario[3]	1.5	2.3	0.7	1.8	3.3	1.8	1.0	2.0	1.5
– Manitoba	—	—	—	—	—	—	—	—	—
– Saskatchewan[2]	1.9	2.5	0.6	1.4	2.8	2.0	0.9	1.7	1.3
– Alberta[3]	4.7	3.8	0.3	0.9	1.8	1.8	1.1	2.4	1.3
– British Columbia[3]	1.8	2.0	0.4	0.8	2.4	1.5	0.1	0.7	0.9

— Means the tax system was not indexed.
(1) The federal and provincial, other than Québec, indexing rates are projected by the Ministère des Finances du Québec according to the method usually used in the jurisdiction.
(2) The indexing rate is calculated according to the consumer price index for Canada. It is rounded off to one decimal place.
(3) The indexing rate is calculated according to the consumer price index for the province.
(4) Note that Prince Edward Island announced, in its 2007 budget, a rise of 2.0% for some parameters of its tax system for 2007 and 2008, including the basic amount and the taxable income bracket thresholds of the tax table.
(5) Note that Nova Scotia stipulated a rise of $250 per year in its basic amount from 2006 to 2010. In addition, some non-refundable tax credits have been indexed in the same proportion as the rise in the basic amount. For example, the increase in the base amount was 3.23% in 2009 and 3.13% in 2010.
(6) The 2.0% rate for 2010 and 2011 was announced in December 2009.
(7) Since taxation year 2005, Québec's indexing rate has been based on the consumer price index for Québec, excluding alcohol and tobacco.

5. TABLES OF PARAMETERS

TABLE 3

Parameters of the personal income tax system subject to indexing
(dollars)

	2015	2016
Tax table		
– Maximum threshold of first taxable income bracket	41 935	42 390
– Maximum threshold of second taxable income bracket	83 865	84 780
– Maximum threshold of third taxable income bracket	102 040	103 150
Basic amount	11 425	11 550
Amount of recognized essential needs		
– Amount for a person living alone		
• basic amount	1 340	1 355
• supplement for single-parent family	1 655	1 675
– Amount with respect to age	2 460	2 485
– Amount for retirement income	2 185	2 210
– Amount of transfer of the recognized parental contribution		
• maximum amount of recognized needs	7 530	7 610
• reduction where only one session of studies is completed	2 105	2 130
– Amount for a minor child engaged in vocational training or post-secondary studies (per session, maximum of two sessions)	2 105	2 130
– Amount respecting other dependants	3 065	3 100
– Amount for severe and prolonged impairment in mental or physical functions	2 595	2 625
Certain deductions and exemptions		
– Maximum amount of the deduction for workers	1 120	1 130
– Amount of the personal contribution for the purposes of the deduction for tradespersons' tools	1 130	1 140
– Maximum amount of the exemption relating to amounts paid to emergency services volunteers	1 120	1 130
– Maximum monthly amount for the exemption of certain allowances for room and board paid to young athletes	345	350
Reduction thresholds or maximum income		
– Reduction threshold of the tax credit for a person living alone, for age and for retirement income	33 145	33 505
– Reduction threshold of the tax credit for experienced workers	—	33 505
– Reduction threshold of the refundable tax credit for home maintenance of seniors	55 905	56 515
– Reduction threshold of the refundable tax credit for respite expenses of informal caregivers	55 905	56 515
– Maximum family income to qualify for the refundable tax credit for youth activities	132 650	134 095
– Maximum net income to qualify for the refundable tax credit for seniors' activities	40 425	40 865

TABLE 3 (continued)

Parameters of the personal income tax system subject to indexing
(dollars)

	2015	2016
Certain refundable tax credits		
– Tax credit for medical expenses		
• maximum amount	1 153	1 166
• minimum amount of earned income	2 955	2 985
• reduction threshold	22 315	22 560
– Tax credit for natural caregivers of adults		
• basic amount	635	642
• supplement reducing with income	519	525
• reduction threshold	23 080	23 330
– Québec education savings incentive		
• first income threshold for purposes of calculating the increase	41 935	42 390
• second income threshold for purposes of calculating the increase	83 865	84 780
– Tax credit for holders of a taxi driver's or taxi owner's permit	559	565
1% contribution by individuals to the Health Services Fund		
– Maximum threshold of first taxable income bracket	14 285	14 440
– Maximum threshold of second taxable income bracket	49 660	50 200
Health contribution		
– First net income threshold	18 370	18 570
– Second net income threshold	40 820	41 265
– Third net income threshold	132 650	134 095
Child assistance		
– Maximum amounts		
• 1st child	2 366	2 392
• 2nd and 3rd children	1 182	1 195
• 4th and subsequent children	1 774	1 793
• single-parent family	830	839
– Minimum amounts		
• 1st child	664	671
• 2nd and subsequent children	613	620
• single-parent family	331	335
– Monthly amount of the supplement for a handicapped child	187	189
– Reduction threshold[1]		
• single-parent family	34 280	34 656
• couple	47 196	47 665

(1) The parameters are based on an adjustment formula.

TABLE 3 (continued)

Parameters of the personal income tax system subject to indexing
(dollars)

	2015	2016
General work premium[1]		
– Maximum amounts		
• person living alone	557.90	564.48
• couple without children	871.92	881.30
• single-parent family	2 391.00	2 419.20
• couple with children	3 114.00	3 147.50
– Reduction threshold		
• one adult	10 370	10 464
• couple	16 056	16 190
Adapted work premium for persons with severely limited capacity for employment[1]		
– Maximum amounts		
• person living alone	1 082.88	1 094.94
• couple without children	1 623.78	1 641.96
• single-parent family	3 008.00	3 041.50
• couple with children	3 608.40	3 648.80
– Reduction threshold		
• one adult	13 232	13 366
• couple	19 242	19 444

(1) The parameters are based on an adjustment formula.

TABLE 3 (end)

Parameters of the personal income tax system subject to indexing
(dollars)

	2015	2016	
		January 2016 to June 2016	July 2016 to June 2017
Indexing rate in percent	1.06	1.09	1.635 [1]
Solidarity tax credit			
– Amounts for the QST			
• basic amount	278	281	283
• amount for spouse	278	281	283
• additional amount for person living alone	133	134	135
– Amount for housing			
• amount for a couple	654	661	665
• amount for a person living alone or a single-parent family	539	545	548
• amount for each dependent child	115	116	117
– Amounts for individuals living in a northern village			
• amount per adult	1 637	1 655	1 664
• amount for each dependent child	354	358	360
– Solidarity tax credit reduction threshold	33 145	33 505	33 685

(1) The rate corresponds to 1.5 times the indexing rate established for 2016.

New indexing period for the parameters of the solidarity tax credit

New indexing period

As of July 2016, the parameters of the STC will be indexed on July 1 each year, instead of January 1, and will remain unchanged for the payment period, that is, from July of a particular year to June of the following year.

Transition period

The parameters of the STC for 2016 will be indexed in two stages.

- They will first be indexed in January 2016, using the indexing formula currently applicable to the personal income tax system.
- They will subsequently be indexed again, in July 2016, with the 2015 amounts being indexed at a rate corresponding to 1.5 times the indexing rate applicable to the personal income tax system for the 2016 taxation year.
  - Since that rate is 1.09% for 2016, the parameters for the period from July 2016 to June 2017 will be those of 2015 indexed at the rate of 1.635%.

As of July 2017, the parameters will be indexed according to the rate used to index the personal income tax system.

TABLE 5

Parameters of the refundable tax credit for child care expenses – 2015

Family income ($)		Tax credit rate (%)	Family income ($)		Tax credit rate (%)	Family income ($)		Tax credit rate (%)
Greater than	Without exceeding		Greater than	Without exceeding		Greater than	Without exceeding	
—	34 425	75	47 180	48 455	64	141 875	143 150	44
34 425	35 700	74	48 455	49 730	63	143 150	144 440	42
35 700	36 980	73	49 730	51 000	62	144 440	145 720	40
36 980	38 250	72	51 000	52 280	61	145 720	146 995	38
38 250	39 525	71	52 280	94 350	60	146 995	148 285	36
39 525	40 795	70	94 350	135 450	57	148 285	149 565	34
40 795	42 085	69	135 450	136 740	54	149 565	150 860	32
42 085	43 355	68	136 740	138 020	52	150 860	152 140	30
43 355	44 625	67	138 020	139 300	50	152 140	153 425	28
44 625	45 890	66	139 300	140 590	48	153 425	ou plus	26
45 890	47 180	65	140 590	141 875	46			

TABLE 4

Parameters of the refundable tax credit for child care expenses – 2016

Family income ($)		Tax credit rate (%)	Family income ($)		Tax credit rate (%)	Family income ($)		Tax credit rate (%)
Greater than	Without exceeding		Greater than	Without exceeding		Greater than	Without exceeding	
—	34 800	75	47 695	48 985	64	143 420	144 710	44
34 800	36 090	74	48 985	50 270	63	144 710	146 015	42
36 090	37 385	73	50 270	51 555	62	146 015	147 310	40
37 385	38 665	72	51 555	52 850	61	147 310	148 595	38
38 665	39 955	71	52 850	95 380	60	148 595	149 900	36
39 955	41 240	70	95 380	136 925	57	149 900	151 195	34
41 240	42 545	69	136 925	138 230	54	151 195	152 505	32
42 545	43 830	68	138 230	139 525	52	152 505	153 800	30
43 830	45 110	67	139 525	140 820	50	153 800	155 095	28
45 110	46 390	66	140 820	142 120	48	155 095	ou plus	26
46 390	47 695	65	142 120	143 420	46			